AMERICAN VANADIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015

Background

This management discussion and analysis (“MD&A) of financial position and results of operation for American Vanadium Corp. (the “Company” or “American Vanadium”) is prepared as at April 27, 2016. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements as at and for the year ended December 31, 2015.

The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “AVC”.

Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward-looking statements include but are not limited to statements regarding the Company’s ability or intention to maintain, permit and mine the its mineral properties, the Company’s ability or intention to enter the energy storage market, and its ability to obtain the financing required to maintain its operations. These statements involve a number of known and unknown risks, uncertainties and other factors, and are made in the context of the Company having to revise its business strategy in light of its current financial position. The Company’s actual strategic course, when decided upon, will determine which risk factors will be relevant, but possible risks include the Company’s ability to raise financing required to maintain operations or to execute its strategy; the development of a market for energy storage and the Company’s ability to operate in this market; and the Company’s ability to maintain or renegotiate its mineral claims or leases as well as technical, geological or economic merits required to mine the related mineral properties. Outcomes other than those assumed herein may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Company Overview and Outlook

American Vanadium is the Master Sales Agent in North America for the CellCube vanadium redox flow energy system (“CellCube”), produced by Gildemeister Energy Storage GmbH (“GES”) of Germany. The CellCube is a commercially available vanadium redox flow battery capable of delivering long-duration energy storage for a broad range of applications, such as renewable energy integration and the reduction of demand charge tariffs levied by utilities.

In January 2016, the Company entered into a non-binding Letter of Intent (the “LOI”) pursuant to which the Company would acquire the shares of GES as part of a vertical integration strategy. However, the market for long-duration energy storage has been slow to develop, and the Company could not obtain the financing necessary to acquire GES. As a result, the LOI has expired.

Complimentary to its CellCube sales initiatives, the Company holds mineral claims at its Gibellini Property ("Gibellini"), a vanadium deposit located in Eureka County, Nevada. The Company had initiated the process to secure the necessary permits required to put Gibellini in production, but the Company has been unable to fund the on-going costs of permitting.

For a number of reasons including slower-than-expected growth in the market for long-duration energy storage, the Company experienced difficulty in raising funds over the past year and it has a significant working capital deficiency. Although the Company reduced its operating costs during 2015, there is significant doubt that it will be able to continue as a going concern.

Mineral Property Overview

As at December 31, 2014, the Company held 435 claims to Gibellini, directly or through lease agreements and was party to an agreement for water rights required to support future production. Owing to the financial constraints discussed under "Company Overview and Outlook", herein the Company terminated the water rights agreement in 2015 and reduced the number of claims held to 204 as at December 31, 2015, for which US$144,000 was then outstanding under lease agreements and remains outstanding.

Subsequent to December 31, 2015, an agreement for the lease of 40 of these claims expired and the remainder of the claims are scheduled to expire in 2016. The Company is considering whether or not it will seek to renew the claims in 2016. It is expected that the Gibellini property will be withdrawn from the permitting process.

As at December 31, 2015, the Company had written-off the carrying value of its mineral properties to $1, reflecting the reduction in expected exploration and evaluation activity and its plans to discontinue the permitting process for Gibellini.

Del Rio and Hot Creek Projects, Eureka County, Nevada

In September 2010, the Company acquired mineral rights to the Del Rio Project ("Del Rio"), a vanadium project located approximately eight miles south of Gibellini. These wholly-owned mineral rights carry no royalty burden and were acquired by originally staking 120 unpatented lode claims on lands administered by the Bureau of Land Management. During the year ended December 31, 2015, the Company has reduced the number of Del Rio claims to 10, for which annual maintenance payments are required.

In 2010, a smaller vanadium prospect, Hot Creek, was also acquired by staking 18 claims south of Del Rio. During the year ended December 31, 2015, the Company allowed all of these claims to lapse.

The Company impaired the full carrying values of Hot Creek and Del Rio in 2014.

Qualified Person

The geological technical data has been reviewed, verified and compiled by Richard A. Graham, P. Geol., who is a "qualified person" for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects.

Selected Annual Information

American Vanadium does not have any revenues other than nominal amounts of interest income. Expenses have historically been incurred for permitting, engineering and metallurgical work conducted on the Gibellini property, CellCube sales activity, and general and administrative costs as a publicly-traded company. Additionally, the Company has capitalized payments for the maintenance of mineral claims and CellCube units acquired for demonstration or other purposes.

During 2015, the Company curtailed operating expenses significantly as a result of not being able to raise funds for operations, and recorded impairments in capitalized mineral claim payments and CellCube acquisitions in the years ended December 31, 2015 and 2014.

To date, the Company has not declared any cash dividends and has not held any long-term debt.

Selected annual information is as follows:

	December 31 2015	December 31 2014	December 31 2013
	$	$	$
Balance Sheet:			
Cash	**180,076**	78,413	1,460,897
Total assets	**227,119**	504,780	3,841,734
Current liabilities	**5,534,451**	2,268,093	1,490,661
Long-term liabilities	**-**	-	-

	For the year ended December 31	For the year ended December 31	For the year ended December 31
	2015	2014	2013
	$	$	$
Operations:			
Net loss and comprehensive loss	**3,872,453**	10,563,541	8,279,545
Basic and diluted loss per share	**0.06**	0.18	0.22

Total assets

The decreases in total assets from $3.8 million as at December 31, 2013 to $505 thousand as at December 31, 2014, and further to $227 thousand as at December 31, 2015 are largely a result of cash expenditures for mineral property exploration and evaluation other operating activities of $6.8 million and $524 thousand in for the years ended December 31, 2014 and 2015, respectively. Additionally, the Company recognized impairments on payments for mineral properties and CellCube units that were capitalized in previous years. Partially off-setting the

effects of these decreases were increases in cash of $5.7 million and $467 thousand from financing activities in 2014 and 2015, respectively.

Current liabilities

The trend of increasing current liabilities between December 31, 2013 and December 31, 2015 is largely attributed to an increase in accounts payable to GES for CellCube units acquired for demonstration or other purposes. Payments for these units are typically triggered by certain production and installation milestones, and the Company accrues the required payment when such milestones are met. However, because the Company has not been able to raise sufficient financing during this period, there has been an ongoing increase in unpaid balances for these items, as well as amounts for mineral leases, exploration and evaluation activities, and on-going operations.

Net loss and comprehensive loss

Net loss and comprehensive loss for the year ended December 31, 2015 was $3.9 million and comprises $287 thousand for exploration and evaluation expenses, $878 thousand for general and administrative expenses and $2.7 million in impairments to mineral properties and CellCube units acquired by the Company.

The net loss and comprehensive loss for 2015 was significantly lower than those incurred in 2014 and 2013 owing to significant reductions in exploration and evaluation costs which were $2.6 million in 2014 and $4.3 million in 2013, and general and administrative costs which were $4.2 million in 2014 and $3.1 million in 2013. The cost reductions were the result of a lack of available financing to the Company which led to the curtailment of corporate and exploration and evaluation activities. These curtailments included staff reductions, reduced engagement of corporate and business development consultants, reductions in metallurgical and engineering work at Gibellini, and a slow-down in the Gibellini permitting process.

During 2014 and 2013, the Company was actively pursuing the permitting of Gibellini and its CellCube sales strategy, incurring significantly higher exploration and evaluation and general and administrative costs. However, by the end of 2014, the Company was in a significant working capital deficit and there were doubts that the values of its mineral properties or acquired CellCube units would be realized. As a result the Company recorded $3.5 million in impairments of such assets for the year ended December 31, 2014. In 2015, additional impairments of $2.7 million were recorded, primarily related to additional CellCube acquisitions.

Results of Operations

Select expenses incurred by the Company are as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
	$	$
Exploration and evaluation expenses	**(287,148)**	(2,638,121)
General and administrative expenses:		
Salaries and benefits	**381,941**	1,427,172
Consulting	**164,620**	991,667
Office facilities and administrative costs, net of recoveries	**143,628**	206,222
Office and sundry	**67,729**	142,536
Audit and legal	**35,162**	117,039
Travel	**30,822**	270,887
Investor relations and shareholder information	**15,280**	102,941
Stock-based compensation	**(34,386)**	717,713
Other	**73,236**	88,951
CellCube demonstration	**-**	134,542
Total general and administrative expenses	**(878,032)**	(4,199,670)
Impairment of CellCube units	**(2,372,722)**	(412,921)
Impairment of mineral properties	**(294,835)**	(2,111,926)
Foreign exchange loss	**(113,767)**	(203,910)
Write-off of accounts payable and accrued liabilities	**73,942**	-
Write-off of expense advance	**(10,000)**	-
Other income	**9,949**	-
Interest income	**160**	7,043
Write-down of equipment and deposits on equipment	**-**	(1,004,036)
Net comprehensive loss	**(3,872,453)**	(10,563,541)

As at December 31, 2014, the Company had a working capital deficit of $2.0 million and had begun to slow operations at Gibellini and a corporate level. The Company raised $467 thousand in 2015, but this amount was insufficient to improve the Company's financial position so the Company was forced to further reduce its operating expenditures.

Exploration and evaluation activities at Gibellini for the first half of 2015 were reduced to base levels to facilitate a slowed permitting process and costs were reduced to care and maintenance levels during the second half of 2015. Additionally, employees related to the Gibellini property were laid off and the mine office was closed.

Additional employees were laid off at the corporate level in 2015 and consulting agreements for sales, business development and investor relations services were terminated. The reduction of employees and consultants resulted in the cancellation of certain unvested share-based compensation agreements and an overall recovery of share-based compensation was incurred in 2015. Related to the decrease in the number of employees and consultants and lower levels of sales, business development and investor relations activities, the Company also reduced travel, office space and the use of legal and other services.

The Company's reductions in both mineral property and corporate-level activities resulted in decreases to exploration and evaluation expenses in 2015 compared with those in 2014, as well as those for all general and administrative cost categories.

In 2014, the Company recorded impairments on CellCube units acquired for demonstration purposes and write-offs of deposits paid or accrued towards CellCube units that were intended for resale. These impairments or write-offs were recorded because anticipated sales did not occur and because the deterioration of the Company's financial position made it unlikely that the Company would be able fund the demonstration projects. In 2015, an additional impairment was recorded because the achievement of production milestone for a CellCube unit ordered in 2014 had been met, triggering a payment requirement. The amount is included in accounts payable and accrued liabilities as at December 31, 2015 and the full value of the related asset has been impaired.

In 2014, the deterioration in the Company's financial position resulted in a significant slow-down in permitting and other exploration and evaluation expenses on Gibellini, and the Company's ability to fund the permitting process at Gibellini became uncertain. As a result, the Company recorded impairment to the majority of carrying value of its properties in 2014. In 2015, the Company reduced its property claims and further reduced exploration and evaluation activities to base levels. As a result, the Company impaired the carrying value of these properties to a nominal value in 2015.

During the year ended December 31, 2015, the Company recognized a gain of $73,942 from the write-off of an accrued liability as a result of a determination that the related obligation no longer exists. An expense for the obligation had been recorded in a prior period, so the write-off has accordingly been recorded in profit or loss.

Financial Condition, Liquidity and Capital Resources

As at December 31, 2015, the Company had working capital deficit of $5.3 million, compared to a working capital deficit of $2.0 million as at December 31, 2014. The deterioration of the Company's financial position during 2015 is largely a result of a significant increase in accounts payable and accrued liabilities. This increase is primarily owing to an accrual for milestone payments required following the 2015 production of a CellCube unit ordered in 2014. This unit was ordered by the Company in advance of an anticipated sale that did not materialize. The Company has impaired the entire value attributed to this unit. Accounts payable and accrued liabilities also increased because the Company was unable to obtain sufficient financing during 2015 to pay for all operating expenses. Additionally, a significant portion of the Company's accounts payable and accrued liabilities are denominated in U.S. dollars and Euros, and the decline in the value of the Canadian dollar against these currencies in 2015 resulted in foreign exchange losses.

The Company has reduced its operating activities and related costs significantly as at December 31, 2015 and it is expected that additional savings will be achieved by terminating the permitting process at Gibellini, but it has a significant working capital deficit and will require additional financing to discharge existing liabilities and to pay for on-going costs as a publicly-traded entity. Historically, the Company has raised equity financing through private placements,

but the Company was unable to raise amounts in 2015 that were sufficient to fund operations and there is significant uncertainty that financing conditions will improve in 2016.

2014 Financing Summary

On March 6, 2014, the Company completed the first tranche of a non-brokered private placement of 10,000,000 common share units at a price of $0.40 per unit for gross proceeds of $4,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant.

On May 8, 2014, the Company completed the second tranche of the private placement for an additional 2,500,000 common share units at a price of $0.40 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant.

On December 30, 2014, the Company completed a non-brokered private placement of 3,560,000 common share units at a price of $0.25 per unit for gross proceeds of $890,000. Each unit consisted of one common share and one-half of one common share purchase warrant.

In addition to the net proceeds from private placements, $8 thousand was received through the exercise of warrants during the year ended December 31, 2014.

2015 Financing Summary

In April 2015, the Company completed a non-brokered private placement of 3,014,285 common share units at a price of $0.07 per unit for gross proceeds of $211,000. Each unit consisted of one common share and one-half of one common share purchase warrant.

As at December 31, 2015, the Company had received $64,427 in subscription receipts for a non-brokered private placement that closed in January 2016 for 805,332 common share units at a price of $0.08 per unit. Each unit consisted of one common share and one common share purchase warrant.

In December 2015, the Company received $200,000 from a shareholder of the Company under a promissory note that is payable on demand and which accrues interest at a rate of 1% per annum.

Fourth Quarter Results

For the fourth quarter of 2015, the Company incurred a consolidated net loss and comprehensive loss of $420 thousand. The most significant expenses incurred during the quarter were $295 thousand for impairments to mineral properties; $64 thousand for salaries and benefits; $52 thousand for consu1ting fees; and $191 thousand for other office and administrative costs, foreign exchange losses and a write off of an expense advance. Partially off-setting these expenses were a $170 thousand in combined gains from the write-off of accounts payable at the start of the period and from adjustments to expenses recorded in prior periods in 2015.

The impairments to mineral properties in the fourth quarter of 2015 were a result of reduced exploration and evaluation activities at Gibellini, and an expectation that the property will be withdrawn from the permitting process. Consulting fees and other office and administrative

costs were largely incurred to conduct due diligence and to negotiate the LOI regarding the Company's unsuccessful attempt to acquire GES.

Summary of Quarterly Results

A summary of quarterly results for the Company's eight most recent quarters is as follows:

For the Three Months Ended	Exploration and Evaluation[1]	General Expenses[2]	Stock-based Compensation[2]	Interest Income[3]	Net Comprehensive Loss[4]	Basic and Diluted Loss Per Share
	$	$	$	$	$	$
December 31, 2015	(12,121)	269,309	(2,977)	(53)	420,382	0.01
September 30, 2015	50,532	89,259	8,003	(5)	2,652,641	0.04
June 30, 2015	70,109	154,920	49,792	(28)	265,270	0.00
March 31, 2015	178,628	398,929	(89,203)	(74)	534,160	0.01
December 31, 2014	540,799	1,023,505	150,718	(316)	5,373,789	0.09
September 30, 2014	679,919	846,158	147,438	(1,116)	1,663,981	0.03
June 30, 2014	582,539	872,983	316,330	(3,389)	1,789,919	0.03
March 31, 2014	834,864	739,311	103,227	(2,222)	1,735,852	0.03

Explanatory Notes:

1. Exploration and evaluation expense for the periods presented are largely comprised of engineering, procurement and construction management, metallurgical and environmental permitting activities for Gibellini incurred to complete the Plan of Operations and to attend to the on-going permitting process. Costs fluctuate from period to period based on the availability of working capital to fund such work and deadlines for meeting various project and regulatory requirements. In late 2014 and early 2015, the Company reduced property-related expenses as a result of not having sufficient funds available. In the three months ended December 31, 2015, the Company had a recovery of exploration and evaluation costs as a result of a reclassification of foreign exchange losses to other expense categories.

2. General expenses in 2014 reflect a build-up of staff, consulting and other activities to support the development of its CellCube sales strategy. In 2015 the Company had difficulty obtaining financing and reduced corporate costs including consulting fees, staff costs and office fees. As a result, there is a general reduction in these costs in 2015, although an increase was incurred for the final quarter of 2015 as a result of consulting and legal fees incurred to assess an unsuccessful opportunity to acquire GES.

   Related to the increase in staff and consulting levels and additional directors of the Company during 2014, new stock options were granted, resulting in increases to stock-based compensation. In the three months ended March 31, 2015, a number of share-based awards were cancelled on the termination of certain employment and consulting agreements, resulting in a net reversal of expenses previously recorded and subsequent expenses recorded have been lower than those prior to December 31, 2014.

3. The Company earns interest income from funds on deposit but has no operating revenue. Interest income is dependent upon the amount of funds on deposit and interest rates paid.

4. Net comprehensive loss is typically a result of exploration and evaluation expenses, general expenses and stock-based compensation. However, in the three months ended December 31, 2014, the Company recorded a $2.1 million impairment of mineral properties as well as $1.4 million in impairments of equipment, deposits on equipment and advances towards future CellCube sales with a further $2.5 million impairment for CellCube units being recorded in the three months ended September 30, 2015. In the three months ended December 31, 2015, the Company recorded additional impairment costs for the remainder of its mineral properties. Other items included in net comprehensive loss that have not been segregated elsewhere include foreign exchange gains or losses, which are primarily related to foreign-denominated accounts payable. These gains or losses fluctuate quarter-to-quarter.

Transactions with Related Parties

During the year ended December 31, 2015, a $78,000 (2014 - $78,000) expense was recorded for office facilities, corporate and administrative services provided by Earlston Management Corp. ("Earlston"), a company with officers and directors in common with Company. Additionally, $41,000, recorded as share issuance costs, was paid to Earlston for fees related to a private placement of common shares in the year ended December 31, 2014. No such fee was paid during the year ended December 31, 2015. As at December 31, 2015, $96,445 is included in accounts payable and accrued liabilities (December 31, 2014 - $22,276) for amounts owing to Earlston.

Included in prepaid expenses as at December 31, 2015 is $nil (December 31, 2014 - $10,000) advanced to Bill Radvak, the Chief Executive Officer of the Company for corporate expenses to be incurred on the Company's behalf. Included in accounts payable and accrued liabilities as at December 31, 2015 is $20,371 (December 31, 2014 - $8,193) owing to this officer for travel expense claims.

Included in accounts payable and accrued liabilities as at December 31, 2015 is $19,800 (December 31, 2014 - $12,600) owing to Mike Doyle, the former Executive VP, Operations; and $nil (December 31, 2014 - $5,996) owing to Ron Espell, the former VP, Environmental.

During the year ended December 31, 2014, a $60,000 expense was recorded for consulting services provided by Cansource International Enterprises Inc., a company jointly controlled by Ron MacDonald, a former director of the Company. No such amounts were incurred for the year ended December 31, 2015.

In addition to the aforementioned related party transactions, salaries and benefits and other compensation earned directly by key members, being the Company's management and directors are as follows:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
	$	$
Salaries and benefits	**242,520**	481,600
Consulting fees	**9,207**	179,572
Stock-based compensation recognized	**92,617**	226,592
Total compensation	**344,344**	887,764

Financial Instruments and Risk Management

As at December 31, 2015, the Company's financial instruments comprise cash, amounts receivable, reclamation deposits, accounts payable and accrued liabilities and a shareholder loan. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Cash	180,076	**-**	**-**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

A portion of the Company's expenses are incurred in United States dollars and financial instrument balances are held in this currency. A significant change in the currency exchange rates between the Canadian dollar relative to the United States dollar could have a negative effect on the Company's results of operations, financial position or cash flows.

As at December 31, 2015, the Company held US$1,317,862, in net financial liabilities denominated in United States dollars. A prolonged 10% increase (decrease) in the value of the Canadian dollar compared with the United States dollar would result in a $182,392 foreign exchange gain (loss) based on United States dollar denominated net financial liabilities as at December 31, 2015. The Company has not hedged its exposure to currency fluctuations as at December 31, 2015

As at December 31, 2015, the Company's net financial liabilities included accounts held in European Euros totalling €2,041,992. A prolonged 10% increase (decrease) in the value of the Canadian dollar compared with the Euro would result in a $309,288 foreign exchange gain (loss) based on Euro denominated net financial liabilities as at December 31, 2015.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and amounts receivable. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a working capital deficiency as at December 31, 2015 and additional financing is required for the Company to settle its existing obligations and fund future obligations. As such, the Company is exposed to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in short-term interest bearing accounts which pay relatively low rates of interest, the Company considers the interest rate risk to be limited.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Outstanding Share Data

The following securities are outstanding at April 27, 2016:

Common shares issued and outstanding :	69,251,445
Shares issuable on the exercise of outstanding stock options:	3,755,000
Shares issuable on the exercise of share purchase warrants:	3,935,907

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Those estimates and judgments considered most significant are as follows:

i. Carrying value of mineral properties and equipment

The measurement, expected recovery and impairment of mineral properties and equipment are based on various judgments and estimates. For mineral properties, these include the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves, future mineral prices, and operating and capital expenditures for the properties. For equipment, such judgments and estimates include the useful lives of the assets, and the likely cash flows or commercial benefit such assets are likely to generate.

In addition to these factors, the carrying value and potential for impairment of mineral properties and equipment, also depends on management's expectation for the likely outcome of a property or use of an asset, which itself is dependent on factors such as availability of financing, obtaining regulatory approvals, and availability of buyers for the Company's mineral or other products.

Should there be differences between actual and anticipated mineral reserves, mineral revenues and costs, or should the Company no longer have the intention, resources, requisite approvals or customer base to develop or otherwise realize value from a mineral property or equipment, impairments may be recognized. If impairment factors which result in an impairment being recorded become favourable, a reversal on impairment may occur.

ii. Reclamation provision

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

iii. Taxation

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that it is probable that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

iv. Stock-based compensation

iv.i. Stock options

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and standalone share purchase warrants granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and warrants and future dividend yields. Consequently, there is significant measurement uncertainty in the stock-based compensation expense reported.

iv.ii. Restricted share units and performance shares

The determination of whether or not the achievement of performance milestones for restricted share units and performance shares is likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgment and changes to any of these factors or management's interpretation thereof, may result in expenses being recognized or previously recognized expense being reversed.

Adoption of new IFRS

The Company has applied the following new IFRS amendments starting January 1, 2015:

i. IFRS 3, Business Combinations

IFRS 3 was amended to provide clarification related to (i) contingent consideration in a business combination and (ii) scope exception for joint arrangements.

ii. IFRS 8, Operating Segments

IFRS 8 was amended to require (i) disclosure of judgments made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported.

iii. IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets

IAS 16 was amended to classify how gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model.

iv. IAS 24, Related Party Transactions

IAS 24 was amended to (i) revise definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements.

The adoption of these amendments did not result in changes to amounts or note disclosures previously reported by the Company.

Future Changes in Accounting Policies

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. These standards are being assessed but are not expected to have a significant impact on the Company's consolidated financial statements:

i. IFRS 9, Financial Instruments

The IASB intends to replace IAS 39 – "*Financial Instruments: Recognition and Measurement*" in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018.

ii. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

IFRS 5 has been amended to add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. These amendments are effective for annual periods beginning January 1, 2016.

iii. IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

Changes in Directors

On January 21, 2015, Dr. Kelly Hyslop resigned as a director of the Company.

On February 6, 2015, George T. Hawes resigned as a director of the Company.

Risks and Uncertainties

As at the date of the MD&A, the Company has a significant working capital deficit. The Company has reduced operating costs significantly, but it still requires additional financing to maintain operations as a publicly traded entity. Obtaining financing in 2015 was challenging and there is no assurance that financing will be available in 2016, raising significant doubt that the Company can continue as a going concern for the next 12 months.

In addition to the immediate challenges presented by the Company's financial position, substantial changes to the Company's business strategy and structure may be required should additional funds not be obtained.